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SUBJECT: WELCOME TO ECUADOR, CODEL SHAW

1. The U.S. Mission in Ecuador extends a warm welcome to the Honorable E. Clay Shaw, Nancy L. Johnson, John M. Spratt, Sam Johnson, Bill Archer, Ed Pastor and spouses. You are coming to one of the most environmentally diverse and spectacular countries on Earth. You will experience the diversity of the Andean highlands as well as the Galapagos Islands. The Nature Conservancy (TNC) will be guiding your trip, however, the Embassy stands by to provide the support necessary to ensure your trip is an informative and productive one. We are grateful that you are coming in order to highlight the importance of conservation in one of the most environmentally rich countries of the world.

Your Environmental Program

2. You will arrive in Quito late in the evening. The following day TNC will take you to the 300-plus year old Hacienda Zuleta to discuss the importance of Ecuador and introduce TNC's strategies. You will overnight at Zuleta, and the next day you will visit the Condor Biosphere Reserve. The Condor Bioreserve (named after the planet's largest flying bird and Ecuador's national symbol), in the heart of the Kichwa indigenous community, presents a unique opportunity to experience diverse vegetation, Andean forests, bird watching, and local culture.

3. USAID has formed an alliance with TNC, the Municipality of Quito, The Quito Water Fund (FONAG) and the Ministry of the Environment to conserve the Condor BioReserve, half of which is comprised of five protected areas of the Condor BioReserve (Cayambe-Coca, Antisana, Sumaco-Napo Galeras, Cotopaxi and Llanganates National Parks). These protected areas provide 70% of the water for the city of Quito and conserve the Tropical Andes Ecoregion, the world's richest.

4. The main threats are seasonal burning of the pramo (or the highland areas) for pastureland, clearing for agriculture, environmental consequences of infrastructure projects including roads, dams, pipelines, and the same infrastructure that provides water to the City. You will overnight in Papallacta at approximately 11,000 ft, known for its hot springs.

5. The following day you will return to Quito (at approximately 9,500 feet, it is the second highest capital in the world) for a tour of the city and meetings with the Mayor of Quito, Paco Moncayo, and other local representatives. That night, U.S. Embassy officials will join you, TNC, Quito officials and representatives from other NGOs for an intimate discussion of environmental matters in Ecuador.

6. After your highland experience ends, you will proceed to the Galapagos Islands to experience a rare and unusual ecosystem. In the Galapagos, you will discuss conservation with TNC's representative.

7. Over the past five years, the USG has given through USAID some \$9 million to Ecuador to support conservation in the Galapagos. While no previous Ecuadorian administration had been particularly interested in Galapagos conservation, they did at least maintain stability in the Galapagos National Park. The main threats to the Galapagos are political instability in the national park system, unsustainable use of the park's natural resources by fishermen, and illegal immigration to the islands. The USG provides aid to the Galapagos through various channels. The bulk of the aid is channeled through USAID.

8. During your stay in the Galapagos, you will visit a variety of islands, experiencing a panorama of both flora and fauna. After visiting the islands, you will meet with scientists from the Charles Darwin Research Station. From the Galapagos, you will return to Quito in transit to the U.S.

The Hand of Man on the Environment

9. In terms of natural resources, Ecuador is an extremely rich country. It may have more biological diversity per area than any other nation on earth. Much of this is concentrated in the Tropical Andes, the biologically richest region on the planet. In marine environments, the conservation priority is the 133,000 km² Galapagos Marine Reserve, the world's second largest protected marine area.

¶10. The potential for Ecuadorians to benefit from natural areas is enormous. In 2004, tourism totaled \$367 million, and most international tourists came to visit a protected area. Watershed management is key to providing water for hydropower, which accounts for 60% of the countries nations, electricity, for personal and industrial consumption, and for agriculture.

¶11. Unfortunately, Ecuador suffers the second highest rate of deforestation among South American countries. The fall of Gutierrez and the succession of Palacio as President have brought no relief to the environmental situation in Ecuador. Experts agree that the environmental area - which is typically not a priority during calm times - has suffered particular neglect and instability. Illegal logging, overexploitation of the Galapagos, and weak institutions top most experts, list of concerns.

¶12. Ecuador has established an impressive park system, which covers 18% of the mainland plus 95% of the Galapagos. Unfortunately, mainland parks are significantly under funded, and in some cases one person is responsible for as many as 200,000 acres. In the Galapagos, monitoring and enforcement has been severely undercut by disputes between the national park authorities and fishermen allied with local politicians.

Political Considerations

¶13. Ecuador is highly unstable politically, with seven presidents in the past nine years. None of the last three democratically elected presidents served their term. Ex-president Lucio Gutierrez was the most recent to fall to popular uprisings, on April 20. His vice president, Alfredo Palacio, succeeded him after Congress declared Gutierrez to have "abandoned" his constitutional responsibilities. Some Ecuadorians criticized the USG for not immediately "recognizing" the Palacio administration. Relations with the Government of Ecuador were never broken, however, and continue to be strong. Given the uncertainty surrounding the recent change of government, it is appropriate that your visit maintain a low political profile. We suggest you keep the focus on environmental issues, which are of great concern to this Mission.

Economic Situation

¶14. Blessed with substantial petroleum reserves, excellent soil and perfect climate, Ecuador is a rich country with a poor population. Endemic corruption, bad economic policies and political instability are to blame, resulting in 25 years of stagnant wages and a 70 percent poverty rate. Despite coffers swelled by rising oil revenues, government expenditures never approach meeting the population,s needs. Many migrate, others take up illegal trade, especially in the border areas near Colombia. We are currently negotiating a free trade agreement with Ecuador and Andean neighbors Peru and Colombia. A successful FTA could stimulate job creation that helps reduce these problems.

Chacon